



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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**CANE CREEK MINE
MOAB SALT, INC. / PCS POTASH
M/019/005**

**RECLAMATION COST ESTIMATE NOTES
FROM A FILE REVIEW**

by Anthony A. Gallegos, Senior Reclamation Specialist
May 19, 1999

The detailed reclamation cost estimate was found in the Notice of Intention to Commence Mining Operations and Mining and Reclamation Plan with the revision date of May 15, 1989 in the lower right corner. Pages 14-1 through 14-17 of this document describe the details of the Conceptual Reclamation Plan Cost Estimates. Page 14-17 lists the various category subtotals to arrive at a subtotal of \$8,009,000 in 1989 dollars. This amount is then increased by a 10% contingency to \$8,810,000. This amount was then escalated for five years using an annual escalation factor of 1.93% to arrive at the total of \$9,700,000 in terms of year 1994 dollars.

A Division memo dated October 23, 1989 describes a proposal by Moab Salt for a ten year bond term. The memo also describes three bonds in the amount of \$25,000 each which are posted for state and BLM leases. The memo states that the \$75,000 sum of these bonds would be subtracted from the total surety amount of \$9.7 million to give an amount of \$9.625 million which would be the amount of self-bond needed.

A Division memo dated November 2, 1989 describes the outcome of a recent meeting to discuss the self-bond proposal submitted by Moab Salt. The new self-bonding proposal is for a ten year term which means the new amount after 10 years of escalation is \$10.7 million dollars. The new proposal will be presented to the Board of Oil, Gas and Mining on November 30, 1989.

The Board package dated November 13, 1989 contains a summarized reclamation estimate which includes ten years of escalation using the escalation factor of 1.93%. The ten year escalation amount is \$10,700,000 in year 1999 dollars. This figure of \$10.7 million is the total amount of reclamation surety required by the Division. The Division formally recognizes the \$75,000 in existing bonds as part of the total surety, therefore, the amount of self-bond required is \$10.7 million less \$75,000 for a self-bond amount of \$10.625 million in year 1999 dollars.

The executed Reclamation Contract received by the Division on January 16, 1990 describes the three \$25,000 bonds from St. Paul Fire and Marine. Two of these bonds are for BLM statewide mineral leases, while the other bond is for a state lands lease.

CONCEPTUAL ADJUSTMENT FOR ESCALATION ONLY

If this reclamation surety was to be adjusted for escalation only, without a detailed review, the figure of \$8.81 million from the estimate contained in the May 15, 1989 version of the Notice would be considered the "base amount" in year 1989 dollars to be adjusted.

CONCEPTUAL SURETY ESTIMATE UPDATE

Moab Salt, Inc.
Kane Creek Mine

M/019/005

DRAFT
Grand County

Prepared by Utah Division of Oil, Gas & Mining

last revision

19-May-1999

DESCRIPTION:

- This update adjusts the surety amount for escalation only.
- THIS IS A CONCEPTUAL UPDATE ONLY.**
- THIS IS NOT TO BE CONSIDERED AS A FINAL UPDATE BY THE DIVISION.**
- Escalation factors through 1998 are actual Means Historical Cost Indices
- Total disturbed area = 1002 ACRES

CALCULATIONS

$$F = P(1 + i)^{**n}$$

F = Future Sum
P = Present Sum
i = Escalation Factor
n = number of periods

Three Yr Average = 3.27%
Used to Project 5 Yrs
From the Year 1999

YEAR	ESCAL FACTOR	BOND AMOUNT
1987	0.0195	\$0
1988	0.0181	\$0
1989	0.0177	\$8,810,000
1990	0.0077	\$8,877,837
1991	0.0127	\$8,990,586
1992	0.0221	\$9,189,277
1993	0.0261	\$9,429,118
1994	0.0321	\$9,731,792
1995	0.0193	\$9,919,616
1996	0.0242	\$10,159,671
1997	0.0236	\$10,399,439
1998	0.0502	\$10,921,491
1999	0.0327	\$11,278,623
2000	0.0327	\$11,647,434
2001	0.0327	\$12,028,305
2002	0.0327	\$12,421,631
2003	0.0327	\$12,827,818
2004	0.0327	\$13,247,288

Updated Surety Amount Rounded (2004-\$)

\$13,247,000

** Average cost per acre =

\$13,221 (\$/ACRE)

M/019/005

MOAB SALT
5/5/99

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AT DOGM OFFICES TO REVIEW MOAB SALT FILES.

WOULD LIKE TO KNOW THE AMOUNT OF RECLAMATION
SURETY REQUIRED IF THE OLD ESTIMATE
BASE AMOUNT WAS ADJUSTED FOR ESCALATION ONLY.

adg